




**USAID Honduras - Fintrac Inc.**  
Hurricane Mitch Rehabilitation Support Program:  
**Non-Traditional Fruits & Vegetables**

**Project Overview and Results Summary**  
(February 2000 to December 2001)

## Fintrac - Centro de Desarrollo de Agronegocios: Purpose & Mission

- Post-Mitch rehabilitation of the non-traditional fresh fruit and vegetable sector in Honduras.
- Our mission has been to increase the production, productivity and sales of non-traditional fresh and processed agricultural products with the overall aim of increasing incomes and employment levels for our partners.



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## Fintrac CDA – Increasing Incomes

- ♦ Increasing Sales
  - Increased gross income
  - Increased net income
  - Improved income distribution throughout the year ("regular cash flows")
  - Improved productivity
  - Reduced costs of operation



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## Project Aims

Aims	1999-2000	1999-2001
Increase Farmer Incomes by:	25%	50%
Increase Exports by:	10%	20%
Increase Employment by:	3%	10%

Other secondary objectives included expanding markets, improving productivity, reducing postharvest losses, introducing new technologies and developing training programs.

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## Sales & Employment Results

Average Sales and Employment Changes from the Individually Surveyed Partners	1999-2000	1999-2001
Local Sales	57%	117%
Export Sales	37%	123%
Employment	27%	50%

Total Sales and Employment Figures of Surveyed Partners	1999	2000	2001
Local Sales	\$2.43 million	\$2.33 million	\$2.96 million
Export Sales	\$10.28 million	\$12.74 million	\$17.89 million
Employment	1,668	2,129	2,258

Sample: 77 of 241 lead partners (32%)

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## US Non-Traditional Fruit & Vegetable Imports from Honduras

Chapter Heading	1999	2000	Jan-Oct 00	Jan-Oct 01
07 Edible Vegetables & Certain Roots & Tubers	6,366,458	5,813,473	5,248,255	3,495,989
08 Edible Fruit & Nuts; Citrus Fruit or Melon Peel (excl. fresh bananas)	31,001,642	34,472,241	30,255,790	34,736,268
20 Prep Vegetables, Fruit, Nuts or Other Plant Parts	7,884,227	11,836,409	9,076,784	11,899,989
<b>Total (excluding fresh bananas)</b>	<b>45,252,327</b>	<b>52,122,123</b>	<b>44,580,829</b>	<b>50,132,246</b>

Note: Represents all fresh and processed fruit and vegetable products in HS category chapters 07, 08, 20 (excluding fresh bananas). Source: US Census Bureau

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## Fintrac CDA Results in Brief

- ♦ Increased incomes of small and medium-sized companies by up to 450%
- ♦ Increased employment levels on-farm and in secondary cities
- ♦ Helped improve local rural economies with increased rural expenditures by farmers and increased use of the service sector
- ♦ Positive environmental impact with soil conservation practices, improved water management and reduced pesticide use



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## Fintrac CDA Partners

- ... 241 "lead partners" – farmers, exporters, and processors
- ... directly reaching more than 2,300 producers
- ... in 13 departments
- ... covering local, regional, international, processing markets
- ... for more than 40 fresh and processed products



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## Fintrac CDA Partners

Gross Income		Employment	
<u>Partners / Income</u>		<u>Partners / Employees</u>	
57	< \$6,600	64	< 5 employees
56	\$6,600 to \$16,600	37	6 to 10 employees
56	\$16,600 to \$66,000	48	11 to 50 employees
54	> \$66,000	7	> 50 employees
Sample: 223 partners (93%)		Sample: 156 partners (65%)	
98% of lead partners have fixed assets below \$ 250,000			

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## Fintrac CDA Activities

- ♦ **Areas**
  - Marketing
  - Postharvest
  - Processing
  - Production
  - Information Technology
- ♦ **Activities**
  - Technical Assistance
  - Business Development
  - Market Intelligence/Research
  - Buyer / Seller Linkages
  - Infrastructure / Logistics
  - Training



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## Marketing Illustrative New Sales

- ♦ Jalapeño (2001): 69 growers, US\$846,000
- ♦ Frozen Melon Balls (2001): US\$300,000
- ♦ Yucca (Oct to Dec 2001): \$80,000
- ♦ Banana Puree: US\$200,000
- ♦ Frozen Organic Papaya & Pineapple: US\$ 250,000
- ♦ Litchi: US\$ 13,000
- ♦ Ginger: US\$ 20,000



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## Marketing Activities

- ♦ Trade show visits
- ♦ Technical and market visits
- ♦ Trial shipments
- ♦ Market shipment arrival inspections
- ♦ Training and workshops



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## Marketing – Market Information

- Market surveys
- Technical information
- Market prices
- Niche identification
- Buyer contacts / buyer listings
- Supplier / buyer linkages & strategic alliances
- Contract development
- Payment terms



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## Business Services

- Transport logistics
- Packaging sources, designs, legislation
- Pesticide legislation
- Product development, costings, specifications
- Cash flow projections
- Profit analysis
- Business planning
- Accessing finance
- Investment planning



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## Business Services

- Group organization
- Association organization
- Company start-ups (S. de R.L.)



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## Infrastructure Development: Packhouse Design and Construction



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## Infrastructure Development: Packhouse Design and Construction



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## Infrastructure Development: Post-harvest Handling



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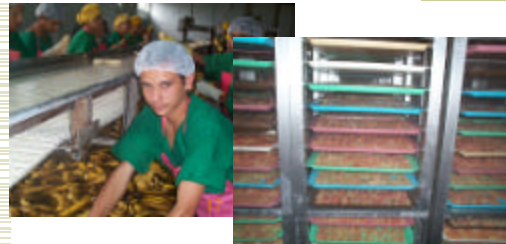
## Infrastructure Development: Cold Chain



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## Processing Market Requirements: Plant Operations, Productivity, Food Safety, etc



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## Processing Market Requirements: Value Added Product Development



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## Processing Market Requirements: Value Added Product Development



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## Cottage Industry Processing

- ♦ Technology improvements
- ♦ Process systems to meet market requirements
- ♦ Management and accounting systems
- ♦ Introduction to retail sales outlets



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## Meeting Market Requirements: Hybrid Seeds, Seedling Trays, Calendarization

- ♦ New & improved varieties, together with appropriate production technology, needed to meet buyer quality, volume and delivery requirements.



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## Meeting Market Requirements: Improved Planting Material

The introduction of hybrid vegetable seeds has ...

- Expanded **markets**;
- Improved **yields**;
- Improved **quality**;
- Increased **disease resistance**; and
- Increased farmers' **incomes** when used with calendarization programs.



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## Meeting Market Requirements: Technology Introduction

- More than 120 new small-scale drip systems in operation (purchased locally)
- Immediate results and impact on yields, costs, management & environment
- Recycling of materials, low cost filter designed and built locally.
- Environmentally friendly



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## Meeting Market Requirements: Improved Planting Material for Potato Growers

**Before CDA** - partners were selling potato varieties of poor quality and short shelf life that earned low sale prices.

**With CDA** - Now, partners are selling new potato varieties along with other crops on a year-round basis.

**Impact** - Income increasing 179% from Lps 34,000 to Lps 95,000 per hectare per year. Plus ... improved cash flow; higher average price; reduced risk (weather and market).



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## Meeting Market Requirements: Improved Planting Materials

Improved varieties of **pineapple** (organic) and **yucca** already introduced and planted.

Long term activities based on market requirements



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## Market & Environmental Requirements: Correct Use & Application of Pesticides



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## Market & Environmental Requirements: Cultural Practices



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### Market & Environmental Requirements: Land Practices, Soil Conservation



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### Market & Environmental Requirements: Water Use and Conservation



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### Market & Environmental Requirements: Organic Certification

- ♦ Certified suppliers of organic pineapple and mango
- ♦ Organic processing plants
- ♦ Environmental and financially sustainable systems
- ♦ Enabling market access



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### Jalapeño Pepper – an Example of Business Development in Action

- Market led - fixed price contracts. Delivered 5 million pounds of pepper with a total payments to 69 small and medium sized growers of \$846,000.
- Production area and planting date based on delivery requirements (140 hectares total).
- Directly involved 69 producer companies (micro & small in size), employing 300 persons permanently and more than 3,000 temporary positions.
- Indirectly affects hundreds more service providers

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### Jalapeño Pepper - Market

- ♦ Chestnut Hill Farms (as of 12/31/01: 4.98 million Lbs, US\$ 846,000)
- ♦ El Salvador and Guatemala (as of 12/31/01: 435,000 Lbs, US\$ 51,477)
- ♦ Contacts made with buyers in Guatemala, Europe and Mexico



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### Jalapeño Market

- ♦ US Buyer / Processor
  - Anchor (biggest US manufacturer of processed jalapeños)
- ♦ Local Buyer / Processor
  - Chestnut Hill Farms



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## Jalapeño Processing

- ♦ Semi-processed peppers, halved, de-seeded and in brine
- ♦ Process up to 4 containers / day
- ♦ Total annual contract of 10 million pounds of processed pepper
- ♦ 1 lb of processed pepper requires 2 lbs of fresh pepper
- ♦ More than 1,000 employees involved with processing operations



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## Jalapeño – Developing an Outsourcing Program

- ♦ Outsourcing program for pepper supplies.
- ♦ 69 suppliers with coordinated planting and zoning.
- ♦ Business plans, sales contract, cost analysis, profit / loss, technical and input requirements, legislative requirements, food safety, quality, transport needs, etc.



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## Jalapeño Suppliers

- ♦ Average investment of \$5,400 / ha.
- ♦ Average net return to grower of \$4,330 / ha.
- ♦ In total, employees receiving more than \$175,000 in salaries



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## Jalapeño – Supporting Business Activities

- ♦ Local trucking
  - 360 trips (south and west to Comayagua)
  - \$85,000 for 10 independent truckers (micro & small in size)
  - Consistent weekly trips throughout the year



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## Jalapeño – Supporting Business Activities

- ♦ Irrigation equipment, pumps, filters, wells, sprayers, etc.
  - Infrastructure / equipment purchases made from local companies totaling more than \$100,000



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## Jalapeño – Supporting Business Activities

- ♦ Greenhouse services
  - 7 million plantlets produced by three local companies with a value of \$105,000



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## Jalapeño – Supporting Business Activities

- ♦ Inputs purchased from local agricultural stores include fertilizer, pest & disease control products and insect traps.

- Totals more than \$250,000



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## Jalapeño – Supporting Business Activities

- ♦ Formal banking system

- Western areas: 25 loans of Lps 75,000 each (due to our direct involvement with the bank).
- Southern areas: no bank loans for present cycle due to unwillingness by banks and finance programs to make necessary investment. Banks have now seen the results on Fintrac partner returns and are only now interested in financing of next contract cycle.



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## Summary: Market Realities

- ♦ Buyers want the following with no questions:
  - Consistent delivery
  - Consistent quality
  - Competitive prices
  - Meet legal and environmental requirements
  - Least amount of people possible to deal with

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## Summary: Market Realities

- ♦ The majority of small independent suppliers cannot meet these market requirements due to size, volumes, lack of working capital, lack of knowledge, lack of records, lack of competitiveness, poor quality, etc.
- ♦ The lack of a formal marketing chain, strategic alliances, and long term programming has restricted investment and sales (and promoted imports).

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## Summary: Selected Actions

- ♦ All activities have to be market driven.
- ♦ Rural suppliers have to be organized around buyers and markets:
  - ...as we have demonstrated successfully with jalapeño, oriental vegetables, cucumbers, watermelons, squash, local vegetables, etc)
  - ... and what can also be done with broccoli, okra, specialty coffee, plantain, yucca, organic products, etc.
- ♦ Assistance has to be targeted, demand driven, professional, practical, and above all – ensure increased earnings and subsequent employment.

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## Summary: Selected Actions

- ♦ Market intelligence systems to identify opportunities and buyers.
- ♦ Select and organize rural suppliers to meet the specific market requirements.
- ♦ Provide growers with the technical knowledge and skills together with support for implementation and follow through.
- ♦ Strengthen operations of processors and exporters.
- ♦ Promote strategic alliances
- ♦ Develop logistics infrastructure and capability.

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Fintrac CDA

market driven and sustainable  
activities producing ...

**real results for  
real people**

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